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Press Release on Northern Region's Economic Conditions in November 2016

In November 2016, general economic activity in the northern region maintained from previous month. Private consumption remained fragile due to weaker-than-expected recovery of farm income given low crop prices. Even though private investment remained slacked, specially continuing sluggish in real estate and construction activities, but it was found an interestingly increase of machinery imports. Meanwhile, exports of electronic components to Japan picked up corresponding to an increase production of electronic components. In the meantime, demand from cross-border exports and government spending were somewhat close to previous month. Tourism activities were slower this month but expect to resume thereafter.

On the stability front, headline inflation remained at low level, only a slight increase in fresh food and fuel prices. Unemployment rate was slightly higher. At end-October, 2016, commercial bank deposits and credits were almost unchanged from last month.

**The details of the economic conditions are as follows:**

**Private consumption** increased only slightly by 0.2 percent due to sluggish demand from autos, non-durable goods and fuel consumptions of which was partly affected by increasing oil prices. Key factors such as poor farm income, low consumer confidence, commercial banks credit restriction and household debt over hung have long prevailed.

**Private investment** showed a minor decline by 1.9 percent due partly to an increase of machinery and equipment imports. However, lack of momentum in private investment reflected largely from slackening in construction and real estate activities. Corresponding, key indicators such as permission of construction areas in municipal zones and the number of registered commercial cars have been declining, except for construction materials sales improved from spending of local government.

**Public spending** grew well by 19.7 percent. Main spending focused on infrastructure construction and maintenance projects such as hospital building and campus including stimulus spending on those small projects initiatives.

**Export value** contracted by 2.6 percent, mainly from cross-border exports of fuel, sugar and beverages as well as mobile phones and accessories to Lao PDR and Myanmar. This was partly due to ethnic unrest near border. However, exports to Southern China expanded for the third consecutive months, despite China's tight restrictions of imports along the border. In addition, electronic components exports to Japan improved this month. **Import value** expanded by 10.7 percent, mainly from imports of electricity from Lao PDR, and livestock from Myanmar including raw materials and intermediate goods.

**Farm income somewhat** improved despite of its declining growth of 1.3 percent. **Major crop production** increased by 6.1 percent following production of rice, shallot, swine and broilers. Meanwhile, **agricultural price** fell by 7.0 percent, particularly price of rice and maize as well as swine and broilers, given their abundant supply.

**Manufacturing production** increased 4.2 percent, contributing to increase of processed production of vegetables, rice mill, beverages and electronic components such as circuit breakers, glass disks and optical lens. Ceramics productions improved as a result of pick up demand from abroad.

**Tourism activities were slightly** slower due partly to slowdown from number of Chinese tourists and postponing schedules from domestic tourists and meetings. As a result, this reflected by slowdown in number of air passengers as well as decrease in direct flights and foreign tourists passing through Chiang Mai International Airport and Value Added Tax (VAT) collected from hotels and restaurants.

On the stability front, **economic stability** remained sound. Headline inflation edged up slightly by 0.68 percent, basically from prices of fresh food and gasoline sold locally. Unemployment rate remained low, albeit rose mildly to 1.13 percent.

In the **banking sector**, at the end of October 2016, **commercial banks' deposits outstanding** grew by 3.9 percent to 641,478 million baht, attributed to an increase in saving deposits of government agencies. Concurrently, **credits outstanding** went up by 1.9 percent to 580,193 million baht, albeit dropped by 0.4 percent from last month mainly from wholesale and retail and saving cooperatives. Loan to deposits ratio thus, declined to 90.4 percent.

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